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C O N F I D E N T I A L SECTION 01 OF 02 DUSHANBE 000327

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EMBASSY MANILA: PLEASE PASS TO ADB AMBASSADOR SPELTZ
TDA FOR SCOTT GREENIP AND DAN STEIN

E.O. 12958: DECL: 2/14/2016

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SUBJECT: TAJIK HYDROPOWER 201: ADVANCED GAME THEORY

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CLASSIFIED BY: Richard Hoagland, Ambassador, US Embassy
Dushanbe, State.
REASON: 1.4 (b)

¶1. (C) In Tajik hydropower, a new conventional wisdom is emerging. If we want the Central Asian Infrastructure Initiative to succeed in Tajikistan, we need to consider the following:

¶2. (C) The United States is behind the curve on hydropower. Russia is building Sangtuda I and has first grabs on Rogun (Reftel A). Iran broke ground for Sangtuda II February 20. The Chinese have been in quiet but serious negotiations to build a hydropower station (HPS) and high-voltage transmission lines (Reftel B). The U.S. firm AES has been gently pushed out of Sangtuda, and possibly Rogun, and is scrambling to find a generation project. The United States has funded some feasibility studies, but they were slow to get off the ground and may already be overtaken by events. Deputy Energy Minister Silantev and others have indicated that the Chinese have completed a feasibility of the same Varzob Cascade and Kairrakum HPS project the USTDA has given \$400,000 to Eurasialink to evaluate. Silantev on several occasions has told PolOff, "You Americans talk, but so far, nothing concrete."

¶3. (C) The Tajiks do not understand how U.S. investment works. Other countries -Russia, Iran, China - offer direct government investment as a carrot and can tell their companies what to do. The Embassy is frequently asked how much the U.S. government will support or guarantee AES's bids for Rogun or power lines. Because a private U.S. firm like AES will only invest when the conditions are right and IFI financing is independently secured, the United States is seen as overly cautious or slow. The fact that we are building a \$27 million bridge at Nizhniy Pyanzh

further confuses claims that the U.S. government does not directly invest in infrastructure projects. On the other hand, the Russian parliament earmarked millions for RAO UES to build Sangtuda, and the Iranians promised \$180 million for Sangtuda II.

¶4. (C) The Tajiks do not take the U.S. seriously in hydropower.

Others in the government energy sector have echoed Silantev's comments that Americans talk about investments, but have failed to invest, or even come close to negotiations. Other countries have sent cabinet-level ministers to engage the Tajiks directly on economic issues and show their serious intent. The Tajik-Iranian presidential meeting in Tehran January 16-17 focused almost exclusively on economic issues, including the deal for Sangtuda II. The Tajik, Iranian and Afghan energy ministers met in Dushanbe February 20. Tajikistan sees U.S. efforts going into Afghanistan-including debt relief-and could draw the conclusion that the U.S. has bigger obligations and interests.

¶5. (C) The Tajiks are open to whomever comes with funding first. Nowhere is President Rahmonov's "open door" foreign policy more evident than in economic development. As Foreign Minister Nazarov told the Ambassador, "All money smells the same." Several Deputy Energy Ministers have marveled at how swiftly the Chinese dove into several projects, guaranteeing their investments. Despite skepticism about U.S. intent in hydropower, key power players continue to welcome U.S. companies. Deputy Prime Minister Ghulomov told the DCM he hoped AES would have a role in future projects, particularly transmission lines. Energy Minister Nurmamatov said simply, "Without the U.S., Rogun will not be built" (Reftel D).

¶6. (C) The United States still has an opportunity to play a role in Tajik hydropower, but we run the risk of being

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marginalized by more determined and decisive regional-power investors. The USTDA regional conference in Istanbul in June could be an excellent opportunity to reengage the Tajiks, but it may be a hard sell to convince them that it is not an auction to sell cows that have already left the barn. Some of the most significant Tajik power projects will have already been claimed by others by the time the U.S. investors and businesses meet in Istanbul to "talk" some more.

HOAGLAND